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 25 SANDISK CORPORATION

26 UNITED STATES DISTRICT COURT

27 NORTHERN DISTRICT OF CALIFORNIA

28 SAN JOSE DIVISION

29 SANDISK CORPORATION,

30 Plaintiff,

31 vs.

32 LUCENT TECHNOLOGIES INC. and
 33 ALCATEL-LUCENT, S.A.,

34 Defendants.

Case No.: C 07 03618 JF

PLAINTIFF/COUNTERDEFENDANT
 SANDISK CORPORATION'S MOTION
 TO DISMISS DEFENDANT LUENT
 TECHNOLOGIES INC.'S
 COUNTERCLAIM

Date: November 30, 2007
 Time: 9:00 a.m.
 Location: Courtroom 3

35 AND RELATED COUNTERCLAIM

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C 07 03618 JF

PLAINTIFF/COUNTERDEFENDANT SANDISK CORPORATION'S MOTION TO DISMISS DEFENDANT
 LUENT TECHNOLOGIES INC.'S COUNTERCLAIM

NOTICE OF MOTION AND MOTION

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD, PLEASE TAKE

3 NOTICE THAT on November 30, 2007, at 9:00 a.m., or as soon thereafter as the matter may be
4 heard, in Courtroom 3 of the United States District Court for the Northern District of California,
5 San Jose Division, located at 280 South 1st Street, San Jose California,
6 plaintiff/counterdefendant SanDisk Corporation (“SanDisk”) will and hereby does move this
7 Court for an order dismissing with prejudice the Counterclaim of Lucent Technologies Inc.
8 (“Lucent”) against SanDisk. This Motion is made pursuant to F.R.Civ.P. 12(b)(6) and
9 F.R.Civ.P. 56 to the extent the Court considers matters outside the pleadings, on the ground that
10 Lucent cannot state a claim for relief because SanDisk does not infringe the patent asserted in the
11 Counterclaim. This Motion is also made pursuant to F.R.Civ.P. 12(b)(1) on the ground that the
12 Court lacks subject matter jurisdiction over Lucent’s Counterclaim because Lucent lacks
13 standing, and thus has no legally protected interest in the claim.

This Motion is based on this Notice of Motion and Motion, the Memorandum of

15 Points and Authorities in support thereof, SanDisk's Motion for Summary Judgment, filed
16 October 26, 2007, and supporting documents thereto, the pleadings, facts judicially noticed, files,
17 and records in this action, and on all such other evidence and argument as may be presented by
18 the plaintiff at the hearing on this Motion.

STATEMENT OF ISSUES TO BE DECIDED

20 SanDisk requests that the Court decide the following issues:

21 1. For the reasons set forth in SanDisk's Motion for Summary Judgment, should
22 Lucent's counterclaim be dismissed for failure to state a claim for infringement of U.S. Patent
23 No. RE39,080 ("the '080 patent") against SanDisk?

24 2. Does the Court lack subject matter jurisdiction over Lucent's claim because
25 Lucent lacks standing, and thus has no legally protected interest in its claim for infringement of
26 the '080 patent?

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 Lucent has filed a counterclaim against SanDisk for infringement of U.S. Patent
 4 No. RE39,080 (“the ‘080 patent”). Lucent’s Counterclaim should be dismissed with prejudice
 5 for two independent reasons. First, as set forth more fully in SanDisk’s Motion for Summary
 6 Judgment (“MSJ”), filed concurrently with this Motion, SanDisk cannot, as a matter of law, be
 7 liable for direct or indirect infringement of the ‘080 patent. Lucent cannot present any set of facts
 8 that would demonstrate SanDisk’s liability for infringement, thus its claim lacks merit and
 9 should be dismissed. In the interest of efficiency, SanDisk files this Motion to enable the Court
 10 to address both SanDisk’s claims and Lucent’s corollary counterclaim at the same time.

11 Second, this Court lacks subject matter jurisdiction over Lucent’s claim because
 12 Lucent lacks standing, and thus has no legally protected interest in its claim for infringement. As
 13 discussed in detail in SanDisk’s Motion for Summary Judgment, the court in *Lucent*
 14 *Technologies, Inc. v. Gateway, Inc.*, Case No. 3:02-cv-02060 (RWB) (the “Microsoft case”) has
 15 issued a final judgment that Lucent is only one of two co-owners of the ‘080 patent. A co-owner
 16 of a patent has no legally protected interest in a claim for infringement where it does not join the
 17 other co-owner as a plaintiff. As a consequence, the court in the *Microsoft* case held “Lucent
 18 lacks standing to sue . . . for infringement on this patent. The Court therefore dismisses under
 19 Fed. R. Civ. P. 12(b)(1).” *Lucent Techs. v. Gateway Cos., Inc. et al.*, No. 02 CV 2060-B, 2007
 20 U.S. Dist. LEXIS 57135 (S.D. Cal. Aug. 6, 2007). Because Lucent had a full and fair
 21 opportunity to litigate its right to sue on the ‘080 patent in the *Microsoft* case, Lucent is
 22 collaterally estopped from relitigating the issue in this case, and is therefore barred from bringing
 23 its claim against SanDisk. Also, because no amendment of Lucent’s pleading will cure these
 24 defects, SanDisk respectfully requests that Lucent’s counterclaim be dismissed with prejudice.

25 **II. FACTUAL BACKGROUND**

26 The factual background of the parties, the patent and the procedural history are set
 27 forth in detail in SanDisk’s Motion for Summary Judgment. MSJ at Section V. To avoid
 28

1 repetition, SanDisk refers the Court to and incorporates those facts by reference as if fully set
 2 forth herein.

3 **A. Procedural History of this Motion**

4 On October 12, 2007, Alcatel-Lucent and Lucent answered SanDisk's Complaint
 5 seeking declaratory judgments. Lucent also asserted a counterclaim against SanDisk alleging
 6 infringement of the '080 patent. Lucent admits, however, that there is a final judgment - *i.e.*, the
 7 judgment in the *Microsoft* case - establishing that Lucent is only a joint owner of the '080 patent
 8 and holding that Lucent lacks standing to assert claims of infringement under the '080 patent.
 9 Counterclaim at ¶ 8. Lucent nonetheless states that it "respectfully disagrees" with the judgment,
 10 and asserts a claim for infringement of the '080 patent against SanDisk. *Id.*

11 Also on October 12, 2007, both defendants filed a motion to dismiss SanDisk's
 12 Complaint. Defendants' Motion to Dismiss Without Prejudice or Alternatively Stay Pending
 13 Resolution of Appeal in Related Case ("Defendants' Motion to Dismiss"). In Defendants'
 14 Motion to Dismiss, the defendants argue that, because they have appealed the *Microsoft*
 15 judgment, and because there is a possibility that some or all of the holdings in that judgment
 16 could be reversed or modified, SanDisk's case should be dismissed or stayed until their appeal is
 17 resolved. *See generally* Defendants' Motion to Dismiss. Because, as discussed below, the final
 18 judgment in the *Microsoft* case is fully enforceable against Lucent now, there are no legal bases
 19 to delay this case. As a result, SanDisk will be opposing Defendants' Motion to Dismiss and/or
 20 Stay, and the Counterclaim should be dismissed as a matter of law.

21 **B. SanDisk's Summary Judgment Motion**

22 Contemporaneous with this Motion, SanDisk is filing a motion for summary
 23 judgment of non-infringement. As to the '080 patent, SanDisk's Motion for Summary Judgment
 24 asks the Court to declare, as a matter of law, that: 1) SanDisk is not liable for direct infringement
 25 of the patent because SanDisk's accused products do not encode music, as is required by all of
 26 the claims of the patent (MSJ at Sections VI(C)(1-2)), 2) SanDisk is not liable for direct
 27 infringement of the patent because SanDisk is licensed by Fraunhofer to practice the patent (MSJ
 28 at Section VI(C)(3)), 3) SanDisk is not liable for indirect infringement because Lucent cannot

1 prove direct infringement by consumers of SanDisk's products (MSJ at Section VI(D)(1)), 4
 2 SanDisk is not liable for contributory infringement because SanDisk's accused products are
 3 staple articles of commerce with substantial non-infringing uses (MSJ at Section VI(D)(2)), and
 4 5) SanDisk is not liable for inducing infringement because SanDisk does not encourage
 5 customers to use its products in any manner that would infringe the patent (MSJ at Section
 6 VI(D)(3)).

7 **III. ARGUMENT**

8 F.R.Civ.P. 12(b)(6) requires that a claim be dismissed if it appears beyond doubt
 9 that the plaintiff (here Counterclaimant Lucent) can prove no facts in support of its claim which
 10 would entitle it to relief. *See NOW, Inc. v. Schiedler*, 510 U.S. 249, 256 (1994). Where, as in
 11 this case, on a 12(b)(6) motion "to dismiss for failure of the pleading to state a claim upon which
 12 relief can be granted, matters outside the pleading are presented to and not excluded by the court,
 13 the motion shall be treated as one for summary judgment and disposed of as provided in Rule
 14 56." *Crater Corp. v. Lucent Techs.*, 255 F.3d, 1361, 1366 (Fed. Cir. 2001) (internal citations
 15 omitted). Summary judgment then "shall be rendered forthwith if the pleadings, depositions,
 16 answers to interrogatories, and admissions on file, together with the affidavits, if any, show that
 17 there is no genuine issue as to any material fact and that the moving party is entitled to a
 18 judgment as a matter of law." *Id.* Here, the facts and law that support SanDisk's Motion for
 19 Summary Judgment likewise require dismissal of Lucent's Counterclaim with prejudice.

20 **A. Lucent Cannot State A Claim Against SanDisk For
 21 Infringement Of The '080 Patent**

22 **1. SanDisk's Players Do Not Directly Infringe Because
 23 They Do Not Encode, As Is Required By The Patent**

24 As more fully set forth in SanDisk's Motion for Summary Judgment, Lucent
 25 cannot state a claim against SanDisk for direct infringement of the '080 patent because SanDisk's
 26 players do not perform a required element of the claims of the patent. MSJ at Section VI(C)(2).
 27 Specifically, every claim of the '080 patent requires that the accused device encode music files.
 28 MSJ at Sections V(B) and VI(C)(1). However, none of SanDisk's media players encode music
 files. MSJ at Sections V(C) and VI(C)(2). Therefore, SanDisk cannot be liable to Lucent for

1 direct infringement of the '080 patent. *Id.* Nor can Lucent cure its pleadings in these
 2 circumstances, thus requiring dismissal of the Counterclaim with prejudice. *See Albrecht v.*
 3 *Lund*, 845 F.2d 193, 195–196 (9th Cir. 1988) (leave to amend properly denied where facts were
 4 not in dispute and could not support claim under the law).

5 **2. SanDisk Is Not Liable For Indirect Infringement**

6 Lucent likewise cannot, as a matter of law, make a showing that SanDisk has
 7 indirectly infringed the '080 patent. First, Lucent cannot prove the requisite direct infringement
 8 that is necessary to support a claim of contributory or induced infringement. *See* MSJ at Section
 9 V(F)(1), Second, even assuming, *arguendo*, that Lucent could prove the existence of acts of
 10 direct infringement, SanDisk is not liable for contributory infringement because its media players
 11 are staple articles of commerce with substantial noninfringing uses. *See* MSJ at Section
 12 VI(D)(2). Third, as a matter of law SanDisk has not induced infringement of the '080 patent
 13 because it does not encourage its customers to encode music in violation of the patent, and
 14 therefore is not liable for inducing infringement. *See* MSJ at Section VI(D)(3).

15 **3. SanDisk Is Licensed To The Patent**

16 Lucent cannot establish infringement by SanDisk of the '080 patent, either
 17 directly or indirectly, because SanDisk has a broad license to practice the patent from its
 18 co-owner. *See* MSJ at Section VI(C)(3). Because the evidentiary basis for SanDisk's claim of
 19 license to the '080 patent (SanDisk's license agreement relating to the Fraunhofer MP3 patents)
 20 is subject to judicial notice, the Court can find that SanDisk is licensed pursuant to Rule 12(b)(6)
 21 without resort to Rule 56. *See* SanDisk's Request for Judicial Notice, filed herewith.

22 For these reasons, Lucent's Counterclaim should be dismissed as a matter of law.

23 **B. The Court Lacks Subject Matter Jurisdiction Over Lucent's
 24 Claim Because Lucent Has No Legally Protected Interest In
 25 The Claim**

26 For a court to have subject matter jurisdiction over a claim sufficient to withstand
 27 a motion under F.R.Civ.P. 12(b)(1), the plaintiff (here Counterclaimant Lucent) must have
 28 suffered an injury in fact -- *i.e.*, an invasion of a legally protected interest which is concrete and
 actual or imminent. *Lujan v. Defenders of Wildlife, et al.*, 504 U.S. 555, 560-61 (1992). Where

1 a plaintiff lacks Article III standing, a federal court lacks subject matter jurisdiction over the suit,
 2 and therefore the case should be dismissed under Rule 12(b)(1). *The Cetacean Community v.*
 3 *Bush*, 386 F.3d 1169, 1174 (9th Cir. 2002). Standing to sue is a threshold jurisdictional
 4 requirement in every federal action. *Sicom Sys., Ltd. v. Agilent Techs., Inc.*, 427 F.3d 971, 975
 5 (Fed. Cir. 2005).

6 In the context of patent infringement claims, a co-owner of a patent has no legally
 7 protected interest, hence no standing, to bring a claim for patent infringement where they fail to
 8 join their co-owners as plaintiffs in bringing a patent infringement case. *See Ethicon v. United*
 9 *States Surgical Corp.*, 135 F.3d 1456, 1467 (Fed. Cir. 1998) (“An action for infringement must
 10 join as plaintiffs all co-owners.”). Where a co-owner is not joined as a plaintiff in a patent
 11 infringement case, the court should dismiss the case for lack of standing pursuant to F.R.Civ.P.
 12 12(b)(1). *Lucent Techs. v. Gateway Cos., Inc. et al.*, No. 02 CV 2060-B, 2007 U.S. Dist. LEXIS
 13 57135 (S.D. Cal. Aug. 6, 2007) (“Lucent lacks standing to sue Microsoft for infringement on this
 14 patent. The Court therefore dismisses under Fed. R. Civ. P. 12(b)(1).”); *see also Ethicon*, 135
 15 F.3d at 1468 (“Ethicon’s complaint lacks the participation of a co-owner of the patent.
 16 Accordingly, this court must order dismissal of this suit.”).

17 As shown in SanDisk’s Motion for Summary Judgment, Lucent lacks a protected
 18 interest in the '080 patent because it is merely a co-owner of the patent. MSJ at Section V(C)(3).
 19 Here, Lucent asserts its Counterclaim against SanDisk on its own, without joining its judicially-
 20 determined co-owner as a co-plaintiff, yet it lacks standing to do so. Accordingly, this Court
 21 lacks subject matter jurisdiction to consider the Counterclaim and should dismiss it under
 22 F.R.Civ.P. 12(b)(1).

23 Indeed, Lucent concedes that, under the *Microsoft* decision, it is only one of two
 24 co-owners of the patent. Defendant’s Motion to Dismiss at 3:13-15 (“As for the '080 patent, the
 25 *Microsoft* court . . . entered judgment in favor of Microsoft on the grounds that a third party,
 26 Fraunhofer, co-owns the patent.”); Defendants’ Answer and Counterclaim ¶ 8 (“[o]n August 6,
 27 2007, the United States District Court for the Southern District of California (Brewster, J.) issued
 28 an Order finding that Fraunhofer Gesellschaft (“Fraunhofer”) is a joint owner of the '080

1 patent.”). Thus, there can be no dispute that there exists a final judgment establishing Lucent is
 2 merely a co-owner of the '080 patent.

3 It is equally established that Lucent is bound by the *Microsoft* court’s findings,
 4 and is collaterally estopped from relitigating the issue of its ownership of the '080 patent in this
 5 action. A party that has fully litigated an issue is precluded from relitigating the same issue in a
 6 later proceeding. *Pharmacia & Upjohn Co. v. Mylan Pharms., Inc.*, 170 F.3d 1373, 1379 (Fed.
 7 Cir. 1999); *Shaw v. Kahn et al.*, 56 F.3d 1128, 1131 (9th Cir. 1995) (collateral estoppel “prevents
 8 relitigation of issues actually litigated and necessarily decided, after a full and fair opportunity
 9 for litigation, in a prior proceeding”). Nor does Lucent’s pending appeal of the *Microsoft*
 10 judgment have any effect on the binding nature of the *Microsoft* judgment for purposes of this
 11 case. “[I]n the federal courts, the general rule has long been recognized that, while appeal with
 12 proper supersedeas stays execution of the judgment, it does not - until and unless reversed -
 13 detract from its decisiveness and finality.” *Huron Holding Corp. v. Lincoln Mine Operating Co.*,
 14 312 U.S. 183, 189 (1941); *see also Pharmacia*, 170 F.3d at 1381 (“The law is well settled that
 15 the pendency of an appeal has no effect on the finality or binding effect of a trial court’s
 16 holding.”). The fact that Lucent “disagrees with [the *Microsoft* judgment] and is currently
 17 appealing that Order,” (Defendants’ Answer and Counterclaim ¶ 8), is of no moment.

18 In sum, since Lucent is not the sole owner of the '080 patent, Lucent lacks
 19 standing to assert its Counterclaim, and this Court lacks subject matter jurisdiction, under
 20 F.R.Civ.P. 12(b)(1), to consider the Counterclaim.

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1 IV. CONCLUSION

2 For the foregoing reasons SanDisk respectfully requests that the Court dismiss
3 Lucent's Counterclaim with prejudice.

4 DATED: October 26, 2007

Bingham McCutchen LLP

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Attorneys for Plaintiff/Counterdefendant
SANDISK CORPORATION